



Department of Justice

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NEW YORK ADVERTISING EXECUTIVE INDICTED IN GRAPHICS BID-RIGGING AND CONSPIRACY SCHEME

Graphics Supply Company, Its Owner, And Two Salespersons Also Indicted

WASHINGTON, D.C. -- A Manhattan federal grand jury today indicted a New York advertising executive, a graphics supply company, its owner, and two salespersons for their roles in fraudulent schemes involving the supply of graphic services, the Department of Justice announced.

Charged in the indictment were: Mitchell E. Mosallem of Manhattan, former executive vice president and director of graphic services at Grey Global Group Inc. (Grey), an advertising agency headquartered in Manhattan; The Color Wheel Inc. (Color Wheel), a Manhattan supplier of graphic services; Color Wheel's owner, Haluk K. Ergulec; a Color Wheel salesperson, Birj Deckmejian; and a salesperson of an unindicted graphic supply company, John Ghianni of Fort Lee, New Jersey.

The indictment, which was filed in U.S. District Court in Manhattan, charged Mosallem, Ghianni, and Color Wheel with conspiring to rig bids and allocate contracts for the supply of retouching and separation services purchased by Grey on behalf of one of its clients from late 1994 until 2001. The indictment also charged Mosallem, Ergulec, Deckmejian, and Color Wheel with conspiring to defraud certain Grey clients in a phony billing scheme from 1991 until July 2000.

"Today's charges reflect our resolve to seek out and prosecute anticompetitive practices in the advertising and graphics industries," said Charles A. James, Assistant Attorney General in charge of the Department's Antitrust Division. "We will continue to seek out and prosecute corrupt practices in these industries."

According to the indictment, Mosallem, Ghianni, Color Wheel, and others conspired to rig bids and allocate contracts awarded by Grey to graphic vendors for work performed on behalf of Brown & Williamson Tobacco Corp. (B&W), one of its clients. In order to secure the best price for its contracts, B&W required Grey to obtain three competitive bids before awarding certain contracts. The conspirators obtained intentionally high "cover" bids from vendors in order to make it appear to B&W that it was receiving the benefit of true competition, when, in fact, it was not.

According to the indictment, Deckmejian and Color Wheel provided substantial goods and services for the personal benefit of Mosallem and other employees and executives at Grey, including tickets to theater, sporting, and cultural events, and graphics items such as wedding invitations, cards, and brochures. To recoup the costs of these items, Mosallem, Ergulec, Deckmejian, and Color Wheel agreed that Color Wheel would falsely inflate its bills for work contracted by Grey on behalf of, and ultimately charged to, its clients, thus fraudulently passing on the cost of those items to Grey's clients. In addition, on occasions where particular jobs for one Grey customer ran over budget, Mosallem allowed Color Wheel fraudulently to shift the over budget amount onto jobs for a different Grey client, thus causing one Grey client to pay for work done for another client.

The bid-rigging charge, a violation of the Sherman Act, 15 U.S.C. § 1, carries a maximum penalty of three years' imprisonment and a \$350,000 fine for individuals and a \$10 million fine for corporations. The fraud conspiracy charge, a violation of 18 U.S.C. § 371, carries a maximum penalty of five years' imprisonment and a \$250,000 fine for individuals and a \$500,000 fine for corporations. The maximum fine on each count may be increased to twice the gain derived from the crime or twice the loss suffered by the victim of the crime, if either of those amounts is greater than the statutory maximum fine. In addition, each defendant upon conviction could be ordered to pay restitution to any victim for the full amount of that victim's loss.

Today's charges arose from an ongoing federal antitrust investigation of bid rigging, bribery, fraud, and tax-related offenses in the advertising and printing and graphics industries. The investigation is being conducted by the Antitrust Division's New York Field Office, with the assistance of the Federal Bureau of Investigation and the Internal Revenue Service Criminal Investigation Division.

Anyone with information concerning bid rigging, bribery, tax offenses, or fraud in the advertising or printing industries should contact the New York Field Office of the Antitrust Division at (212) 264-0677 or the New York Division of the FBI at (212) 384-3252.

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